

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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| Barbara Beerhalter | Chair |
| Cynthia A. Kitlinski | Commissioner |
| Norma McKanna | Commissioner |
| Robert J. O'Keefe | Commissioner |
| Darrel L. Peterson | Commissioner |

In the Matter of Review of 1987 Automatic
Adjustment of Charges for All Gas and
Electric Utilities

ISSUE DATE: August 30, 1988

DOCKET NO. G,E-999/AA-87-548

ORDER ACCEPTING FILING OF
ANNUAL AUTOMATIC ADJUSTMENT
REPORTS AND REQUIRING FURTHER
INVESTIGATION AND REVIEW OF
WESTERN UTILITIES, INC.

PROCEDURAL HISTORY

Minn. Rules, parts 7825.2390 to 7825.3000, require all gas and electric utilities to file annual reports with the Minnesota Public Utilities Commission (the Commission) on their automatic adjustment of charges.

Between August 27, 1987 and January 29, 1988 all required gas and electric utilities filed 1987 reports.

The Minnesota Department of Public Service (DPS) filed its review of the 1987 Automatic Fuel Adjustment Annual Reports on January 13, 1988 for all utilities except Western Gas Utilities, Inc.

On March 11, 1988, the DPS filed its review of Western Gas Utilities, Inc 1987 Automatic Fuel Adjustment Annual Report.

FINDINGS AND CONCLUSIONS

Minn. Rules, part 7825.2390 to 7825.2700, allow gas and electric utilities to make the following adjustments to their rates between general rate cases. Gas utilities change rates due to increases or decreases, since their last general rate case, in the cost of gas that they purchase and resell to Minnesota customers. Electric utilities that generate their own power change rates due to increases

or decreases, since their last general rate case, in the cost of fuel used to run the generating plants. Electric utilities that resell purchased power change rates due to increases or decreases, since their last rate case, in the cost of that purchased power.

Minn. Rules, parts 7825.2800 to 7825.2840 require all utilities to submit a series of annual reports to the Commission. Minn. Rules, part 7825.2850, requires the Commission to conduct a separate meeting to review the reports. The reports allow the Commission to gather information for its review of automatic adjustments made during the year.

The Commission reviewed the required annual reports submitted by the following utilities:

- Bigfork Valley Electric Service Company, Inc.
- Dakota Electric Association
- Great Plains Natural Gas Company
- Northern Minnesota Utilities
- Interstate Power Company (Electric Division)
- Interstate Power Company (Gas Division)
- Iowa Electric Light and Power Company
- Minnegasco, Inc.
- Minnesota Power and Light Company
- North Central Public Service Company
- Northern States Power Co. (Electric Division)
- Northern States Power Co. (Gas Division)
- Northwestern Wisconsin Electric Company
- Otter Tail Power Company
- Peoples Natural Gas Company
- Western Gas Utilities, Inc.

Policies and Actions

Minn. Rules, part 7825.2800 requires all public utilities to file annually their procurement policies for selecting sources of fuel and energy purchased, their dispatching policies, if applicable, and a summary of actions taken to minimize cost. The DPS recommended that all future reports include a description of conservation policies. The DPS stated that no further action of any utility was necessary.

The Commission finds that the utilities' summaries of fuel and energy procurement policies, dispatching policies, and cost minimizing actions are acceptable and that no further action is required.

Automatic Adjustment Charges

Minn. Rules, part 7825.2810 requires all gas and electric utilities to submit an annual reporting of all automatic adjustment charges, by month, for each customer class.

Pursuant to Minn. Rules, part 7825.2500 (B), gas companies change rates to Minnesota ratepayers through a purchased gas adjustment (PGA) after the Federal Energy Regulatory Commission (FERC) approves a change in the rate that the pipeline supplier charges to the gas companies. Minn. Stat. Section 216B.16, subd. 7 (1986) allows rate changes for gas purchased from sources not price-regulated by FERC. Since the automatic adjustment rules do not address rate changes for gas prices not regulated by the FERC, companies purchasing such gas must ask the Commission to vary its automatic adjustment rules to pass price changes through the PGA. At the time of the DPS review, North Central Public Service (North Central) and Western Gas Utilities (Western) had not filed a variance request with the Commission to pass through non-regulated gas costs. Since that time, North Central and Western have filed and been granted variances to pass through cost differences on non-regulated gas purchases.

In its review of the 1986 automatic adjustment reports, the Commission noted that all gas utilities reported variances between the amount of gas costs recovered through rates and the actual cost of the gas delivered to the customers. The Commission also recognized that the automatic adjustment rules are not intended to achieve exact recovery. The Commission ordered the DPS to further investigate those companies with customer class variances greater than 3%. See, In the Matter of the Review of 1986 Automatic Adjustment of Charges for All Gas and Electric Utilities, G.E-999/AA-86-503, Order Requiring Further Investigation and Review (March 30, 1987).

In this case, the DPS found an over (under) recovery of fuel costs greater than the 3% in Bigfork Valley, Interstate Power, and North Central. These variances were explained by the warmer than normal weather in 1986-1987.

The Commission finds that all gas utilities except Western Gas have appropriately treated the differences between the actual cost of gas delivered to customers and the amount of gas costs recovered through their rates. The Commission concludes that no further action is necessary.

The DPS found the automatic adjustment charges for Western were correct, but believed they did not implement the PGA on the effective date of Northern's tariff changes. The DPS obtained sales data for each PGA time period and calculated revenues that should have collected in the reporting period. The DPS calculated an under-recovery of \$34,383 or 4.60%, whereas Western reported an under-recovery of \$27,096 or 3.63%. The DPS recommended that the Commission order Western to explain why its implementation of the PGA's in 1986-87 resulted in an under-recovery of \$7,287.

The Commission finds the difference between the under-recovery calculated by Western and the under-recovery calculated by the DPS has not been adequately explained by the Company. The Company may not have collected enough revenues to recover its fuel cost. Therefore, the Commission will direct Western to explain the difference between the under-recovery calculations of the Company and DPS, and the Commission will direct the DPS to review the Company's

explanation.

Gas Utilities' Suppliers Refunds

Minn. Rules, part 7825.2810, requires utilities to report the amount of supplier refunds received and the amount of refunds credited to customers for the period under review. Supplier refunds are defined in Minn. Rules, part 7825.2700 (C) as "refunds and interest thereon received from the suppliers of purchased gas that are attributable to the cost of gas previously sold." All gas utilities responded to this reporting requirement of supplier refunds or customer refunds except Western Gas that did not respond at all.

The Commission finds that the reports on supplier refunds from all utilities except Western Gas comply with the Commission's automatic adjustment rules and concludes that no further action is required. The Commission will order that the refund activity of Western Gas for the period under review should be investigated by the DPS.

Annual Auditor's Report

Minn. Rules, part 7825.2820 requires all gas and electric utilities to submit an independent auditor's report evaluating accounting for automatic adjustments for the year ending June 30. The DPS reported that the reports filed by all utilities complied with Minnesota Rules. The DPS commented that the auditor's report should include at a minimum the verification of fuel costs reported actually incurred and placed in the proper accounts.

The Commission finds that the utilities' annual audit reports are acceptable and that no further action is required.

Annual Five-Year Projection

Minn. Rules, part 7825.2830 require all gas and electric utilities to submit a five-year projection of fuel and gas costs. The DPS reported that all utilities submitted a fuel cost projection with their annual report that complies with the rules except Western Gas. The DPS recommended Western be ordered to submit a projection in the format required by the rule, which is monthly for two years and annually for three years.

The Commission concludes that the annual five-year projection information from all utilities except Western is acceptable and no further action is required. The Commission will order Western to submit a five-year projection that complies with Minn. Rules, part 7825.2830 to the DPS for review.

Annual Notice of Reports Availability

Minn. Rules, part 7825.2840 requires all gas and electric utilities to provide notice of availability of the reports defined in parts 7825.2800 to 7825.2830 to all interveners in the particular company's previous two rate cases. The DPS reported that all utilities had provided notice to the applicable interveners.

The Commission concludes that proper notice of availability of the above reports has been provided to the appropriate interveners by all the gas and electric utilities.

ORDER

1. The Minnesota Public Utilities Commission accepts the filing of the 1987 Annual Automatic Adjustment Reports, as defined in Minn. Rules, parts 7825.2390 to 7825.3000 for all gas and electric utilities except Western Gas Utilities, Inc.
2. Western Gas Utilities, Inc. shall submit an explanation of the difference of under-recovery provided by the Company and the DPS shall investigate the explanation. The explanation shall be submitted to the Commission and the Minnesota Department of Public Service within 30 days.
3. Western Gas Utilities, Inc. shall submit documentation of any supplier refunds and any refunds credited to customers. The refund information shall be submitted to the Commission and the Minnesota Department of Public Service within 30 days.
4. Western Gas Utilities, Inc shall submit a five-year fuel cost projection. The projection shall be monthly for two years and annually for three years and submitted to the Commission and The Minnesota Department of Public Service within 30 days.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

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